



Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

January 2003

Nonfat Dry Milk Commodity Price Falls Dramatically

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (*See national commodities prices chart on page 2*).

Compared to last month, the national commodity price for butter rose slightly, while the nonfat dry milk price decreased dramatically to just above the new support price of \$0.80. Consequently, the whole milk price decreased five and six tenths cents per gallon, reduced fat milk decreased six and five tenths cents per gallon, lowfat milk decreased the most at seven and two tenths cents per gallon, and skim milk decreased six and two cents per gallon.

The holiday seasonal demand for dairy products and the sales promotions of butter, cheese, and ice cream were hoped to reduce the high levels of commodity storage inventories. However, at the same time, the winter weather remained mild across the U.S. causing milk production to be higher than normal for December. This and the holiday school closings caused Class 1 sales to be down and more milk diverted to manufacturing plants for the production of butter and cheese. Economists hope that the January return to normal school days and the Super Bowl weekend will boost the consumer demand for dairy products.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for February 2003

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Northern California						
Whole Milk	\$1.032	\$0.516	\$0.258	\$0.129	\$0.086	\$0.065
Reduced Fat (2%)	\$0.957	\$0.479	\$0.239	\$0.120	\$0.080	\$0.060
Lowfat (1%)	\$0.915	\$0.458	\$0.229	\$0.114	\$0.076	\$0.057
Nonfat (Skim)	\$0.698	\$0.349	\$0.175	\$0.087	\$0.058	\$0.044
Southern California						
Whole Milk	\$1.055	\$0.528	\$0.264	\$0.132	\$0.088	\$0.066
Reduced Fat (2%)	\$0.981	\$0.490	\$0.245	\$0.123	\$0.082	\$0.061
Lowfat (1%)	\$0.939	\$0.470	\$0.235	\$0.117	\$0.078	\$0.059
Nonfat (Skim)	\$0.722	\$0.361	\$0.181	\$0.090	\$0.060	\$0.045

Price Changes from the Previous Pricing Period

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$0.056↓	\$0.028↓	\$0.014↓	\$0.007↓	\$0.005↓	\$0.004↓
Reduced Fat (2%)	\$0.065↓	\$0.032↓	\$0.016↓	\$0.008↓	\$0.005↓	\$0.004↓
Lowfat (1%)	\$0.072↓	\$0.036↓	\$0.018↓	\$0.009↓	\$0.006↓	\$0.004↓
Nonfat (Skim)	\$0.062↓	\$0.031↓	\$0.016↓	\$0.008↓	\$0.005↓	\$0.004↓

California Department of Food and Agriculture (CDFA)

William (Bill) Lyons Jr., Secretary

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Phone (916) 654-1456; Website: www.cdfa.ca.gov/dairy; email address: dairy@cdfa.ca.gov

Minimum Prices for the Milk Component of Various Manufactured Dairy Products

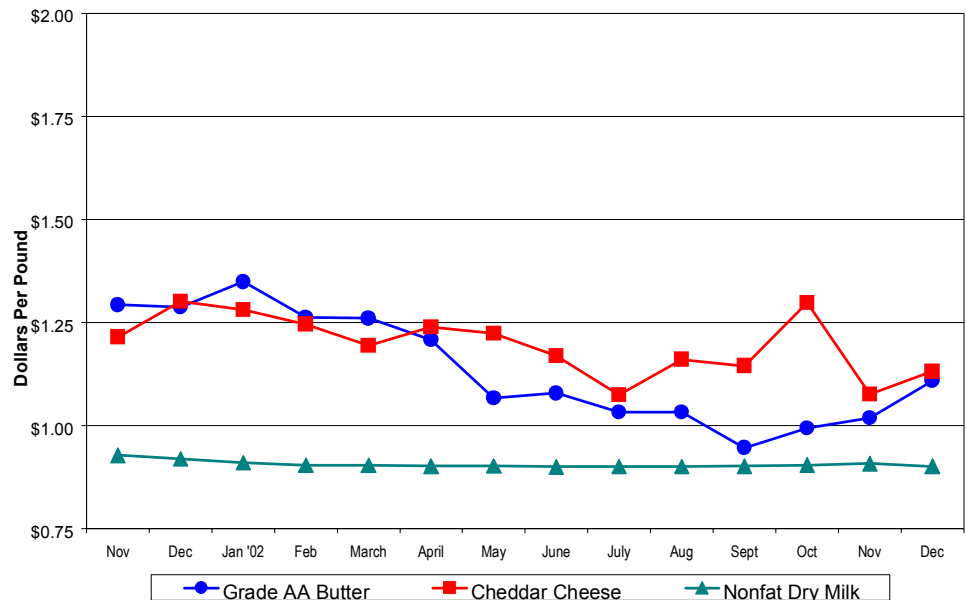
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

	Lowfat Yogurt (\$/quart)	Super- Premium Ice Cream (\$/ 1/2 gal)	Generic Ice Cream (\$/ 1/2 gal)	Butter (\$/lb)	Cheese (\$/lb)
May	\$0.20	\$1.25	\$0.48	\$0.92	\$1.02
June	\$0.20	\$1.16	\$0.45	\$0.90	\$0.96
July	\$0.20	\$1.16	\$0.45	\$0.88	\$0.89
Aug	\$0.20	\$1.09	\$0.43	\$0.85	\$0.97
Sept	\$0.20	\$1.09	\$0.43	\$0.81	\$0.99
Oct.	\$0.20	\$1.05	\$0.41	\$0.88	\$1.04
Nov	\$0.20	\$1.05	\$0.41	\$0.89	\$0.90
Dec	\$0.20	\$1.09	\$0.43	\$0.97	\$0.94
Jan	\$0.20	\$1.09	\$0.43	_____	_____

National Commodity Prices for November 2001 - December 2002

Grade AA Butter,
Block Cheddar Cheese,
and Nonfat Dry Milk



California Department of Food and Agriculture
Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814

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